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## BEFORE THE ARIZONA CORPORATION COMMISSION

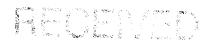
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Arizona Corporation Commission

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IN THE MATTER OF VALLEY UTILITIES WATER COMPANY, INC. – FILING TO ESTABLISH AN OFF-SITE FACILITIES HOOK-UP FEE TARIFF (ARSENIC IMPACT FEE)

DOCKET NO. W-01412A-04-0848
DECISION NO. **67669** 

**ORDER** 

Open Meeting March 8 and 9, 2005 Phoenix, Arizona

BY THE COMMISSION:

## FINDINGS OF FACT

- 1. Valley Utilities Water Company, Inc. ("Valley" or "Company") provides water utility service to approximately 1,250 customers in a portion of Maricopa County, Arizona, approximately 20 miles northwest of downtown Phoenix.
- 2. On November 26, 2004, Valley filed tariff pages to establish an Off-Site Facilities Hook-Up Fee Tariff. Valley is undertaking a significant construction project to reduce the level of arsenic concentration in its water supply so it can meet the new arsenic standard in 2006. The Company proposes to fund its project using a Water Infrastructure Finance Authority of Arizona ("WIFA") loan. An application for approval of this loan is pending before the Commission in Docket No. W-01412A-04-0849. The Company plans to use proceeds from the proposed hook-up fees to pay the debt service and/or principal reduction on the requested loan.

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- 3. On January 4, 2005, in Decision No. 67461, the Commission suspended the tariff filing for a period of seventy-five (75) days, until and including March 12, 2005. This request was granted so that Staff would have more time to review the application.
- 4. Valley is located in the Phoenix West Valley, just east of Luke Air Force Base. The water system consists of six wells, five storage tanks and four booster systems serving approximately 1,250 service connections. The arsenic level at each well is: Well 1 at 12 parts per billion ("ppb"), Well 2 at 12 ppb, Well 3 at 7 ppb, Well 4 at 12 ppb, Well 5 at 13 ppb and Well 6 at 11 ppb.
- 5. Valley hired a consulting firm, Narasimhan Consulting Services, Inc., to conduct an arsenic treatment study for Valley's treatment technology considerations. A pilot study was conducted at Valley's Wells 4, 5 and 6 from April 2003 to September 2003 and the final study report was completed in May 2004. The study recommended using the absorption media treatment method with a total treatment system cost of \$1,926,100 for treatment of five of the six wells.
- 6. The proposed hook-up fee will be used to pay the debt service and/or principal reduction on the requested WIFA loan. The WIFA loan is requesting service debt approval for arsenic treatment system facilities for Wells 1 and 2 at \$542,500 and Wells 4, 5 and 6 at \$1,383,600, totaling \$1,926,100. Valley seeks approval of a hook-up fee tariff of \$1,100 for all new 5/8- x 3/4-inch service connections, graduated for larger meter sizes. Only that portion of the treatment system cost needed to serve new growth was used to calculate the proposed hook-up fee amounts. Staff has reviewed the Company's arsenic treatment study and its hook-up fee calculations and finds them to be reasonable.
- 7. Staff recommends approval of the hook-up tariff as an Arsenic Impact Fee ("AIF")
  Tariff.
  - 8. Staff further recommends that:
    - a. The monies collected under this AIF tariff shall be used to pay for only arsenic treatment equipment and related appurtenances (including engineering and design costs for such facilities) necessary for the removal of arsenic through treatment of water to meet the 10 parts per billion (ppb) arsenic standard.

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- b. The AIF tariff is applicable to all new service connections established after the effective date of the tariff.
- c. The AIF shall be non-refundable; therefore, facilities installed using these funds shall be contributions in aid of construction.
- d. All funds collected by the Company as AIF shall be deposited into a separate interest bearing trust account and used solely for the purposes of paying for the costs of arsenic treatment facilities, including repayment of loans obtained for the installation of arsenic treatment facilities that will benefit the entire water system.
- e. After all necessary funds are collected to pay for all Arizona Department of Environmental Quality required arsenic treatment facilities or the AIF has been terminated by order of the Commission, any funds not necessary to pay for arsenic treatment facilities remaining in the trust shall be refunded. The manner of the refund shall be determined by the Commission at the time a refund becomes necessary.
- f. Valley be required to submit a calendar year status report each by January 31<sup>st</sup> to the Utilities Division Director every twelve (12) months, beginning January 31, 2006, until the AIF Tariff is no longer in effect. This status report should contain a list of all customers that have paid the AIF Tariff, the amount each has paid, the amount of money spent from the account, the amount of interest earned on the AIF Tariff account, and a list of all facilities that have been installed with the AIF Tariff funds.

## CONCLUSIONS OF LAW

- 1. Valley is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.
- 2. The Commission has jurisdiction over Valley and over the subject matter of the application.
- 3. Approval of the filing does not constitute a rate increase as contemplated by A.R.S. Section 40-250.
- 4. The Commission, having reviewed the application and Staff's Memorandum dated February 18, 2005, concludes that the tariff is reasonable, fair and equitable and therefore is in the public interest.
- 5. Staff's recommendations, as set forth in Finding of Fact No. 8, are reasonable and should be adopted.

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DISSENT:

DISSENT:

**ORDER** 

THEREFORE, IT IS ORDERED that Valley Utilities Water Company, Inc.'s application for revision of its tariff schedules to implement an Arsenic Impact Fee, be and hereby is approved.

IT IS FURTHER ORDERED that Valley Utilities Water Company, Inc. shall comply with the requirements contained in Finding of Fact No. 8.

IT IS FURTHER ORDERED that Valley Utilities Water Company, Inc. shall file, within 30 days, a copy of the Arsenic Impact Fee Tariff approved herein.

IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

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AIRMAN	COMMISSIONER	COMMISSIONER
COMMISSIONER	COMMISS  IN WITNESS WHEREOF, I BE Secretary of the Arizona Corhereunto, set my hand and cau Commission to be affixed at Phoenix, this grand day of grand BRIAN C. McNEIL Executive Secretary	poration Commission, have used the official seal of this the Capitol, in the City of

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SERVICE LIST FOR: Valley Utilities Water Company, Inc. 1 DOCKET NO. W-01412A-04-0848 2 3 Mr. Richard L. Sallquist Sallquist & Drummond, P.C. 4 4500 South Lakeshore Drive - Suite 339 Tempe, Arizona 85282 5 Mr. Robert Prince Valley Utilities Water Company, Inc. 12540 West Bethany Home Road Litchfield Park, Arizona 85340 8 9 Mr. Ernest G. Johnson Director, Utilities Division 10 Arizona Corporation Commission 1200 West Washington 11 Phoenix, Arizona 85007 12 Mr. Christopher C. Kempley 13 Chief Counsel Arizona Corporation Commission 14 1200 West Washington Phoenix, Arizona 85007 15 16 17 18 19 20 21 22 23 24 25 26 27

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